perspectives

Home centers' reluctance in hiring part-timers wanes

(Continued from page 36)
ads on shopping center bulletin boards."

Ace Hardware's distribution center in Addison, Ill., relies on employee referrals, but has remarkable luck getting people walking in off the street on their own.

"A lot of these people are full-time forklift operators or are familiar with warehouse work and are looking for a second paycheck," explains Robin Nelson, this facility's human resource manager, who adds that from last October through mid January of this year, all 12 people on this DC's second shift were part-timers.

Can do most jobs

The majority of those interviewed for this story thought virtually any job function in their companies could be performed proficiently by part timers.

At Ace's facility, Nelson says the most recent part-time crew handled "inbound functions" such as receiving and stocking, and that she has hired college students to do clerical work and quality checking.

Builders Square, Dixieline Lumber, Busy Beaver and Wickes Lumber are among the retailers who use part-timers as cashiers, yard workers and, with more frequency, sales people. In fact, 40 percent of Dixieline's part-timers become full time, says the chain's personnel director Warren Hoffman.

Bunzl U.S.A., the Chicago-based parent for a nationwide network of commodities distributors, only has four full-time headquarters employees, so it supports its staff regularly with part-timers in such areas as finance and human resources.

"We don't want to end up with an institutionalized corporate staff that gains its own momentum and requires too much overhead," says Robert Waller, Bunzl's president.

Is industry too complicated?

However, some dealers continue to question whether part timers can ever really understand or master the intricacies of selling products for home improvement. Others worry that the main advantage of using part-time help—no benefits costs—could disappear if mandated health insurance for all employees working over 17½ hours a week is pushed through Congress this session.

For these and other reasons, some in the home improvement business, particularly those operating contractor-oriented yards, still regard them as employees of last resort.

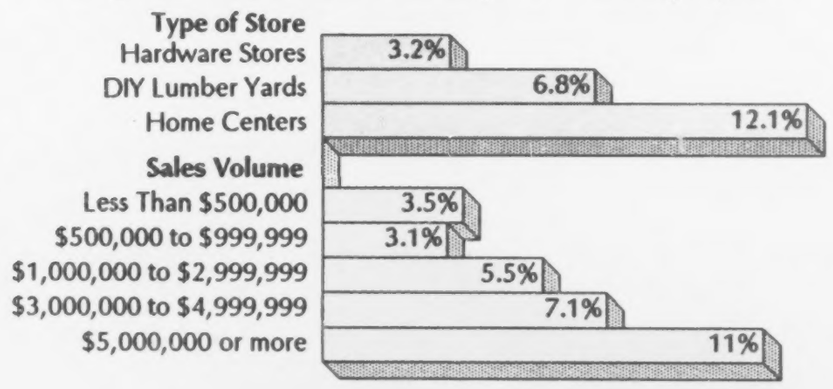
"We're not a home center in the sense that we need as many bodies on our sales floor; our people are primarily full time, experienced," says Jack Fagen, president of Fagen's Building Centers, the 14-store chain based near Pittsburgh, to explain why he eschews part-timers.

Mark Speno, personnel manager for DJ Inc., the Brattleboro, Vt.-based commodities wholesaler, concurs. "The industry has gotten so sophisticated, and it takes so long to train somebody to learn the products, where they're stored and how to store them. Part time is just not cost effective for us anymore."

But market conditions are changing some employers' thinking here. Only 3 percent of the 400 employees at Henry Bacon in Washington are part-timers. Yet, says Rumwell, that's double the percentage of a year ago, and those numbers will have to grow because the full-time work force isn't expanding fast enough to keep pace with the business boom in the Pacific Northwest.

"Our industry is not yet into part-time help the way others like banking might be," he states. "But it has to happen." ◆

Percent of home improvement stores providing major medical insurance to part-time employees



Median dollars paid per hour to part-time employees at home improvement stores

	Total	Hardware Stores	DIY Lumber Yards	Home Centers
Owner/Officers	$7.21	$7.21	$5.38	$12.50
Managers/Assistant Managers	6.00	5.35	7.00	4.00
Department Managers	5.71	5.77	3.70	--
Sales	4.50	4.50	4.75	5.75
Office	5.00	5.00	5.50	4.25
Check-Out/Counter	4.15	4.15	4.25	4.81
Stock	4.00	3.90	4.75	4.40
Delivery/Receiving	4.45	5.00	4.00	4.50
Warehouse	4.25	5.00	3.75	5.00
Yard	4.50	4.00	4.50	4.50
Other	4.50	4.65	4.00	5.60

Source: National Retail Hardware Association

According to the 1989 Compensation Study *released by the National Retail Hardware Association, home centers and larger-volume retailers exceed smaller stores in offering medical coverage to part-time employees. But when it comes to hourly wages, the figures are more even for each type of retailer.*

Part time home center work a good cure for retirement blues

By Tom Neven

BRENTWOOD, Mo. — Art Max is a lot like many part-time employees in home center stores.

A veteran of Essen Hardware & Lumber in this St. Louis suburb for 10 years, Max stocks shelves, answers customer questions and generally helps out where needed. Max is also 78 years old.

He is part of a trend in the home center industry and retailing in general: hiring senior citizens who are returning to work after retirement as part-timers. Seniors, say employers, are sought after for their work ethic and knowledge.

Bored with retirement

Some seniors are back in the work force for cash to supplement their Social Security checks, but that is not the case with Max. He retired in 1978 after 34 years as a salesman for Upjohn Pharmaceutical. "I don't need this job," he explains. "We're okay when it comes to money."

His problem was boredom. "I got tired of loafing around," he says.

After only one year of retirement, he started part-time for minimum wage at this store that used to be a Village Ace Hardware. Essen bought all the Village Ace units six years ago, and Max stayed on. He currently earns $5.15 an hour.

More important than the money or staving off boredom, however, Max believes keeping busy has maintained his health. "Everyone I know my age who retired when I did is dead now," he says.

Art Max

Good with customers

Max Hagerman, Essen's general manager, says he likes to hire senior citizens as part-time employees because they are very good at customer relations.

During a recent visit to the store by this reporter, Max demonstrated that trait by helping a middle-aged man locate an item in the store, but not before greeting the man's toddler-aged son with a boisterous, "How are you today, young man?" much to the boy's delight.

Max says local shoppers come to him for help because he lives in the neighborhood. "They know my face," he says, "even if they don't know my name."

He is the first to admit, though, that working with customers can have its downside. There are always the rude ones who cannot wait their turn to be helped, he says. But overall, he enjoys the helping part of the job.

But that is not all he does. Despite his age, Max also helps unload plastic bins of product stationed around the store, that day's delivery from Hardware Wholesalers, Inc.

Medical ambitions

Max originally wanted to be a doctor. He had completed four years of premedical studies when World War II interrupted. Even after four years in the Army Medical Corps, the medical school told Max he would still need two more years of premed study to be accepted.

At that point, with a wife, two children, and 35 years old, Max figured it was not worth it. "By the time I finished all the studies, medical school, internships and residency, I'd be 45 or 50 years old before I could make a penny."

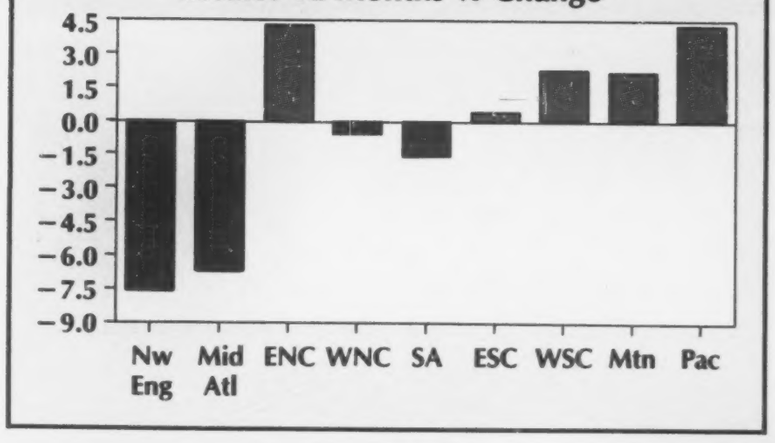
Instead, he started with Upjohn in 1946 and worked selling pharmaceuticals until retirement.

He jokes about another advantage to working part time at his age. "I need to get away from my wife for a while, and she needs to be away from me so we don't drive each other crazy."

And, Max says, he has no plans to quit working at Essen. "I'll stay as long as they'll keep me." ◆

business watch

Divergences in resales . . .



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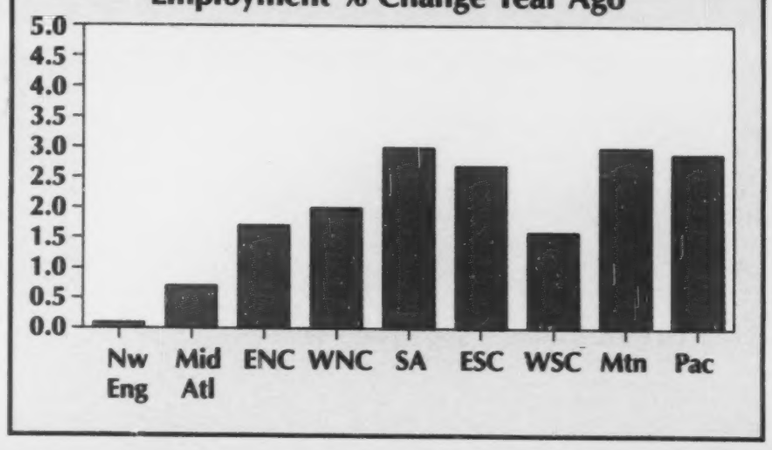
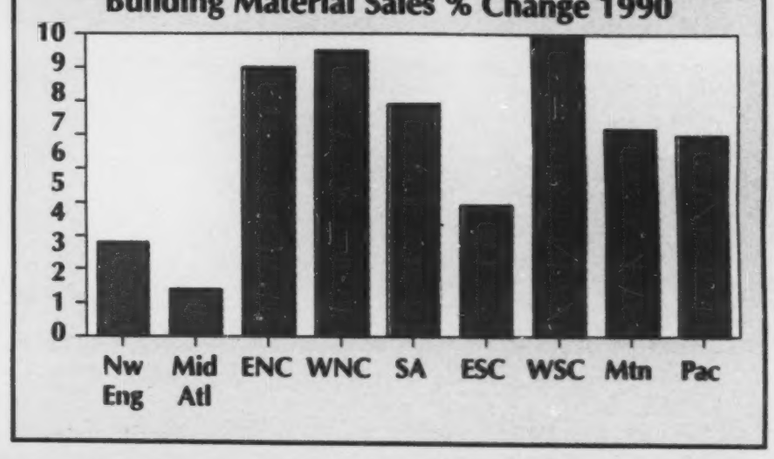


. . . will change building material sales patterns.



Building material sales undergo greater regional variation

By Richard Mount
Special to NHCN

Regional variations in building material sales are shifting in 1990 as recently strong markets sour while weak markets regain lost ground. The trend in resales—an important indicator of future building material sales—shows a decline for four of the nine regions. Employment growth from a year ago is weak, especially in the Northeast. Building material retailers must increase their focus on local conditions.

Richard E. Mount

New England should be among the softest markets this year with building material sales up 2.8 percent. The area is in a localized recession with employment showing almost no change from a year ago.

Middle Atlantic states could have the slowest gain in sales this year, up 1.4 percent. Resales are off 6.7 percent over the last twelve months.

East North Central states should show a gain of 8 percent in 1990, but this increase masks the underlying problems brewing for the area as it comes off a rising trend. Capital spending and auto production are dipping, putting pressure on local employment.

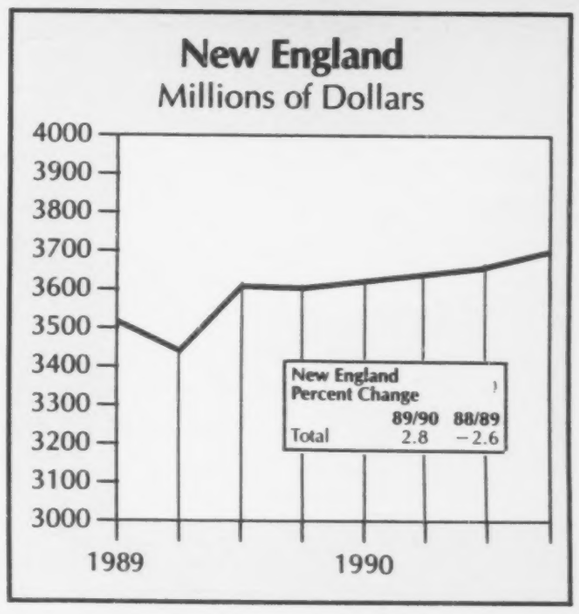
West North Central states will follow a similar pattern as the East North Central. Momentum in 1989 will carry into 1990, but local conditions will soften as the year progresses, not only in autos but also in high technology.

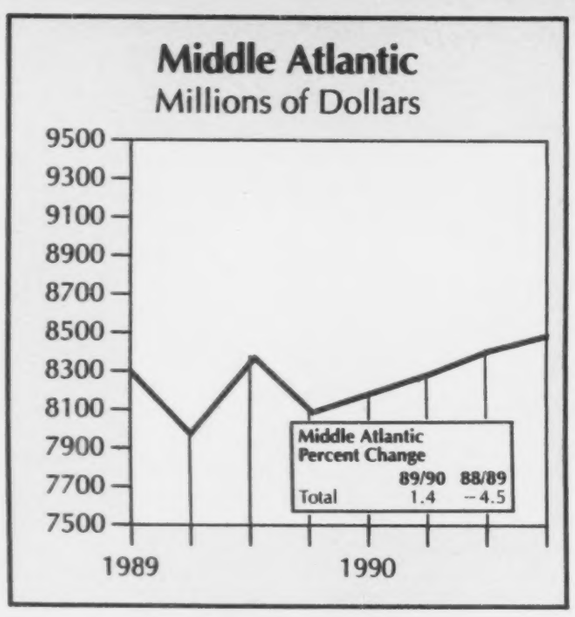
The South Atlantic region enjoys the best gains in employment, but weakness in resales should keep the rise in building material sales to about the national average. Look for South Carolina to be the strongest, in part because of the hurricane recovery.

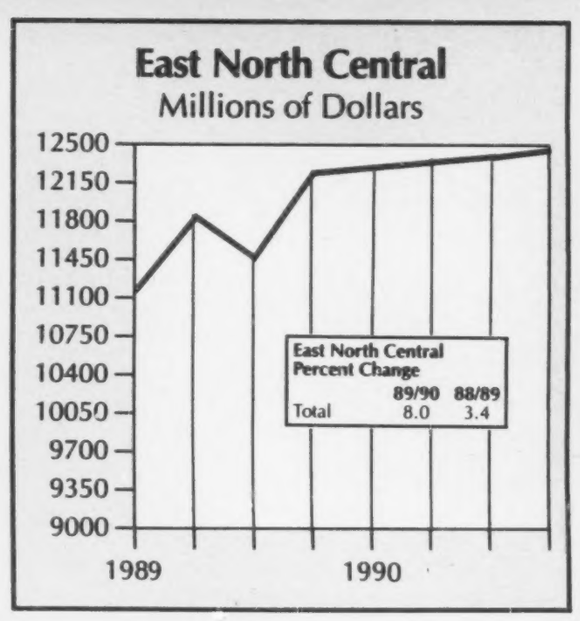
The West South Central states are entering a period of recovery after a regional recession due to falling energy prices. Sales should be up about 9 percent this year, best in the nation.

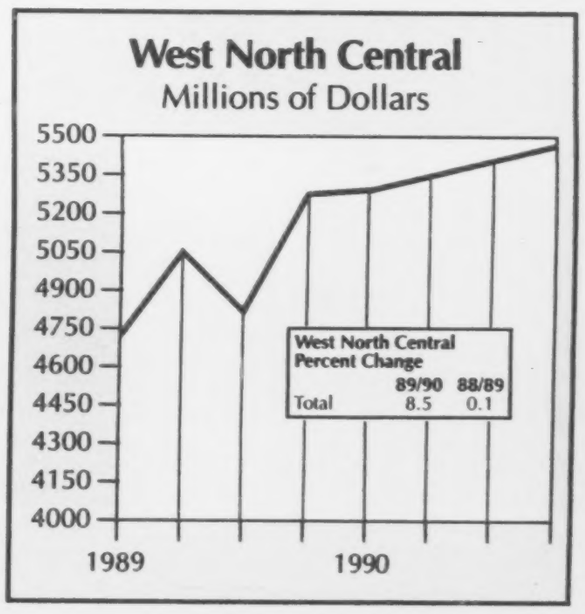
Richard E. Mount is president and chief economist with Mount Economic Consulting.

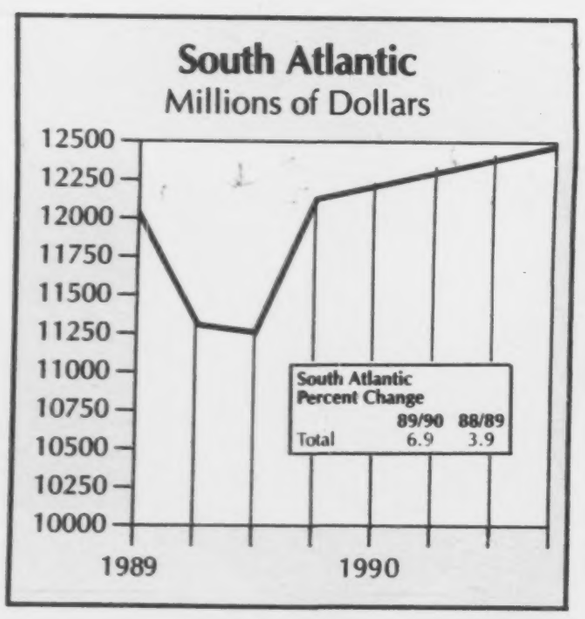
Regional Outlook: Building Material Sales

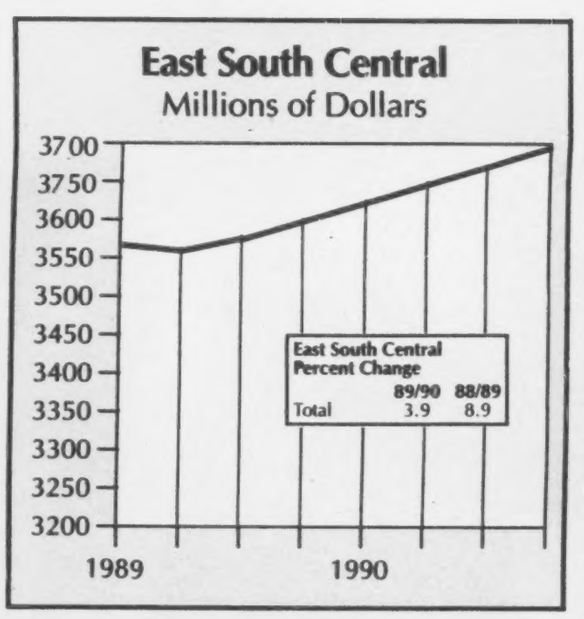


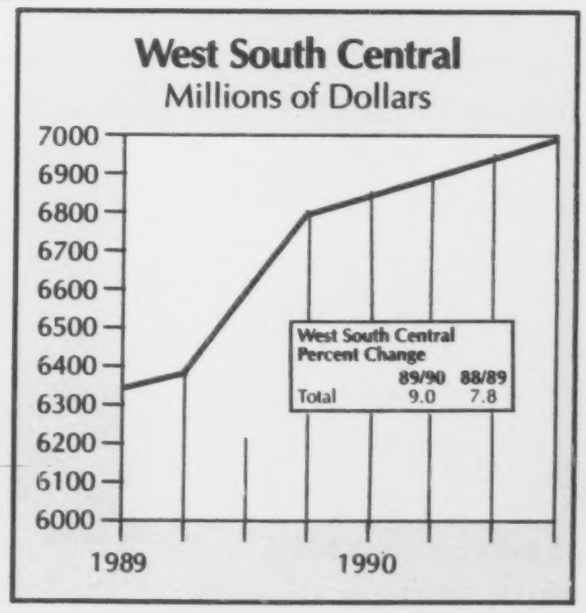


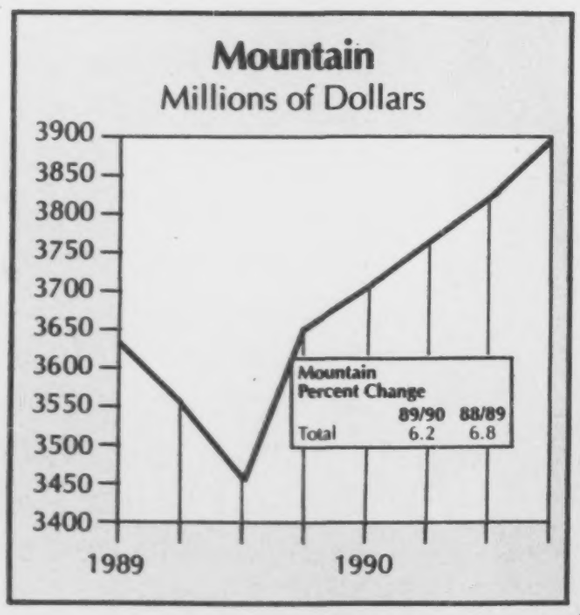


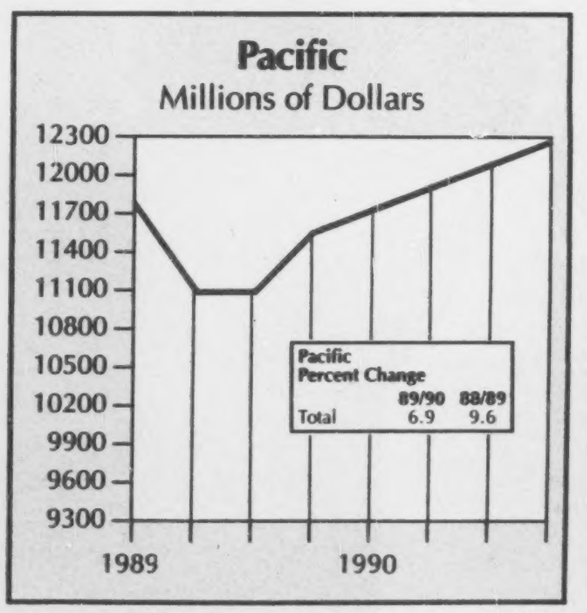












Data: Dept. of Commerce
Bureau of Labor Statistics
National Association of Realtors
Dept. of Housing and Urban Development

The Home Center Industry Outlook runs in two parts, one each month. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material and supply store sales.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart

Mich. lumber dealers see problems near

(Continued from page 6)
increase of 30 percent over the past two years.

"I buy one or two futures a year to try to level prices," Wiswell said. "But with hikes like these, everyone is feeling it."

Wiswell, a member of Hardware Wholesalers, Inc., also expressed misgivings over Weyerhaeuser dropping out of co-op dealer discount programs in order to sell directly to dealers.

"There's no way I can buy the same way as an Erb or Wolohan [two Michigan-based chains]. My payment record is as good as their's, but I'm just a peanut," Wiswell said bitterly. "Weyerhaeuser is hurting the little guy."

Tom James, vice president of four-unit James Lumber in Flint, Mich., found eroding margins of particular concern.

"Everyone works harder and makes less," he said, which he blamed on a duplication of products and competition.

And James said too many independents are offering a smaller mix of items. "Nothing major in the industry has caught on in a while," he said. "And when it does, it takes a while to get into home centers."

> "We want to hire guys for minimum wage, have them learn 20,000 skus, learn how to service the DIY customer, gain product knowledge and so forth. Well, it's just not going to happen."
>
> —**Bill Sharp,** *consultant, Percon Group*

Finding, training employees

The show also featured educational seminars by Bill Sharp, a consultant with the Percon Group, which deals extensively on training issues with the retail building materials industry.

Sharp addressed the problem of hiring and training employees in a time of shrinking labor pools, and to Sharp, questions of minimum wage are moot.

"McDonalds hires someone for $7 an hour and spends a week teaching them to do nothing but flip hamburgers," he said. "We want to hire guys for minimum wage, have them learn 20,000 skus, learn how to service the DIY customer, gain product knowledge and so forth. Well, it's just not going to happen."

And Sharp lamented the industry's propensity for what he called "follow-George-around" training. "Make sure your trainer thinks like you," Sharp cautioned.

Raffle boosts booth traffic

The Michigan show used the promise of a free 1990 Jeep Wrangler to get retailers to visit vendor and wholesaler booths.

Dealers were given a card to be signed by 10 displayers—each card was different, and dealers could carry only one card at a time—and once the card was complete, it could be submitted for the Jeep raffle. In previous years, the free car went to whoever bought the most at the show.

James at James Lumber thought it was a good idea. "I went to see some people I probably would have walked right by," he said. Vendors and wholesalers also expressed enthusiasm for the program.

Nelson Van Elderen, inventory control and purchasing director for five-unit Standard Lumber in Grand Rapids, won the Jeep. Ironically, one name on his card was for a wholesaler who competes directly with Standard in kitchen cabinets.

"It was a good show," Van Elderen said, "and winning the Jeep made it even better." Even after having to hear a competitor's pitch. ◆

Knox changes ad agency

(Continued from page 5)
needed: a strong consumer awareness in the market.

Knox's award-winning TV ads over the last four years included locomotives smashing through stacks of cartons, a house burning down, a take-off on the Three Stooges and, most recently, a man cooped up in his kitchen cabinets. Its innovative print ads included one which drew fire from local feminists. All the ads established the image of Knox as a place for help. Knox spent an estimated 30 percent of its annual advertising budget on TV.

However, with its image established, Knox now seeks to conserve its own spending and use available co-op advertising funds from its vendors, according to Foley. Others close to the account said Fallon McElligott Rice was uncomfortable with a new tact and resigned the account. The former agency did not return calls.

Knox is considered a large account for Case Foley, which has annual billings of $10 million, Foley states. Its previous clients included consumer campaigns for financial services and health care firms. ◆

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Is Texas back?

For some yes, but others still await signs of recovery

By Tim O'Malley

DALLAS — In 1985, business was booming for Henry Humphries. Rolling in cash, the East Texas lumberyard operator could afford to buy his wife a $5,000 Rolex watch for Christmas.

By this past Christmas, volume had slowed so much at Humphries' Citizens Lumber, in the small town of Edgewood, 60 miles east of Dallas, that Mrs. Humphries had to settle for a $50 manicure kit.

Dramatic accounts like Humphries' of vanishing profits are a dime a dozen these days in Texas, where the ripple effect of the 1986 oil bust is still being felt in many areas.

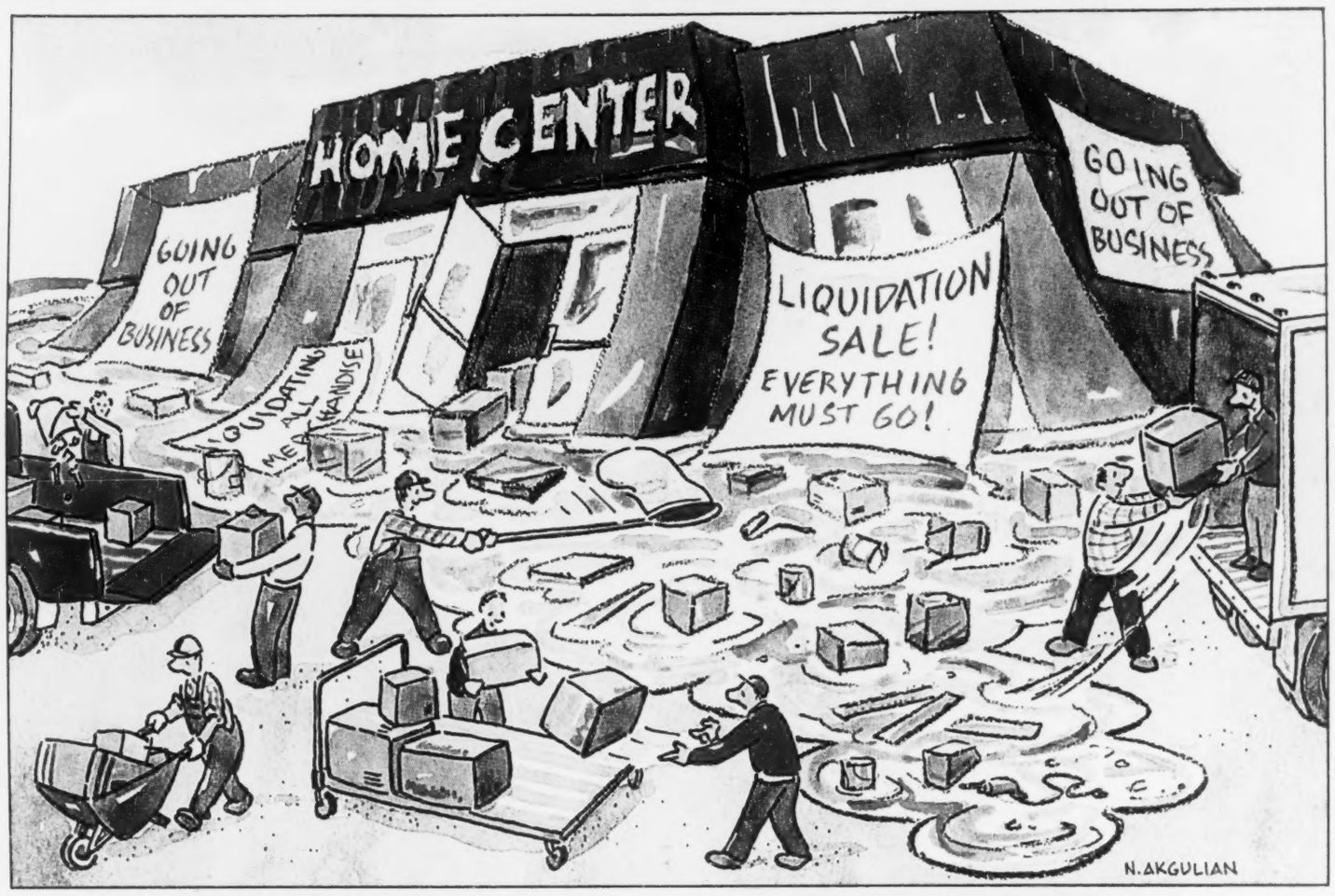
Its exposure in Texas was one of the main reasons Channel decided to shut down its entire southern division last year.

Recent indicators show the Lone Star State is slowly recovering as a whole. Texas unemployment fell to 6.7 percent last year, the lowest since 1984 when it was 5 percent. And retail sales, which have increased steadily since 1986, jumped by $6 billion in 1988 to $119 billion. Complete figures are unavailable for 1989, but they are not expected to upset the trend.

That the state is still kicking is evident in Dallas, where giddy prosperity in the 1970s led to an overbuilt real estate market and scores of vacant office buildings by 1985. A developer recently announced plans to construct the city's first skyscraper in four years.

Home improvement trade is also rebounding. In recent years Payless Cashways had blamed the economies in Texas and Colorado for the chain's overall lackluster earnings performance. But the Kansas

(Continued on page 12)



Nishan Akgulian

Anatomy of a Liquidation

One dealer shares her tale

By an NHCN staff editor

CAPE GIRARDEAU, Mo. — After her father's death in 1985, Patricia Leavell tried to save his business, the five-store Riverside Home Center in southeast Missouri.

But by last fall, having gone through two ceos and with sales slipping, the decision was made to liquidate the company's $4.5 million in assets.

Riverside was one of 1,600 lumber and hardware retailers that closed last year, estimates Dun and Bradstreet. And while these businesses failed for a variety of reasons, they are nonetheless symptomatic of an industry whose businesses continue to consolidate, leaving behind a growing trail of retail assets.

In a rare, inside look at one business' contribution to this trail, Leavell agreed to share with *NHCN* the details of Riverside's dismantling.

Unlike some, Leavell, the oldest child and executor of her father's will, has done fairly well by folding the business she inherited along with her mother and three sisters.

Last month, she was seeking buyers for two stores, in Dexter and Jackson, Mo. Other locations in Sikeston and Ironton were sold to former Riverside employees, while the main store here is under contract for purchase by the Saginaw, Mich.-based Wolohan Lumber chain.

Riverside's liquidation, handled by professional liquidator Midwest Acquisitions, brought high returns on store furnishings, and retrieved 76 percent of Riverside's $2 million in inventory; a typical liquidation returns only between 52 and 55 percent.

Still, Leavell regrets having to toss in the towel. "I wish things could have been different," she says.

Management problems

More than anything, the chain's demise can be attributed to management problems. Leavell's father, Charles Harris, was an absentee owner from when he purchased Riverside in 1973, but had an able, long-time Riverside em-

(Continued on page 200)

84's Hardy discusses his 'caviar dreams' on 'Lifestyles'

Photo courtesy 84 Lumber

Robin Leach (left), host of "Lifestyles," with Joe Hardy, who feels this exposure will help get his resort project off the ground.

By John Sinisi

EIGHTY-FOUR, Pa. — If you happened to tune in late last month to watch "Lifestyles of the Rich and Famous," you might have rubbed your eyes in disbelief, jumped up and shouted, "Joe Hardy? Hey! I know that guy!"

The 67-year-old chief executive officer of 84 Lumber did in fact appear on a late February episode of the syndicated television program that extols the virtues of the well-to-do.

(Continued on page 198)

'89 home improvement sales inch ahead

Product sales grew at a slower pace than the rest of the economy

By an NHCN staff editor

NATIONAL REPORT — Retail home improvement sales limped to record levels in 1989. And it appears that 1990 is off to a modest start, based on several retailers' reported January sales.

For what may be the first time in this industry's history, home improvement product sales grew at a slower pace than the economy as a whole, which expanded in 1989 by 2.4 percent.

Contrary to analysts' predictions of 5 to 6 percent growth, sales from building material and hardware stores rose a mere 2 percent last year to $78.433 billion, based on seasonally adjusted figures released by the business division of the Census Bureau. The calculations include preliminary December figures.

The bureau readjusted and "benchmarked" the 1988 figure to $76.893 billion.

When the data are broken down by type of retailer, the flatness in the market becomes even more evident. Building material and supply stores did $64.236 billion in 1989, 2.07 percent more than the previous year. Hardware stores generated $14.197 bil-

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Dealers seek vendor $$$ for more elaborate promotions, p. 69

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Sales growth curtailed in '89

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lion, only 1.68 percent higher than 1988 totals in this sector.

Strong start, weak finish

Nineteen-eighty-nine was a topsy-turvy year for this industry. It started out extremely strong and petered out in the last two months.

Government data show that sales in January 1989 from building supply stores totaled $5.678 billion, and were 19 percent ahead of the same month a year previous. Hardware sales in this comparable period were up 8.8 percent.

Even through August, building supply stores' sales were ahead of the same eight-month period in 1988 by 4.5 percent.

But these stores' sales during the last four months of 1989, $21.102 billion, were actually marginally below the $21.656 billion generated by this retail sector in 1988.

Hardware stores showed less dramatic deviation. Through August 1989 these units' sales of $9.4 billion were around 2.5 percent ahead of the same period a year previous. Sales in this retail sector for the last four months of each year were separated by only $2 million.

The future is unclear

What all this bodes for 1990, though, is hard to say, as the economy in general and retailers in particular are sending out mixed signals.

Alan Greenspan, chairman of the Federal Reserve, told Congress last week that he doesn't foresee a recession on the horizon, although he expects the U.S. economy to expand by between 1.75 percent and 2 percent this year.

On the other hand, home building in January had its highest percentage gain since 1959 when it jumped 29.6 percent to a seasonally adjusted annual rate of 1.63 million units.

Despite this increase, however, most economists expect housing to be, at best, level with last year's 1.37 million-unit figure. And home building is not the primary barometer of home improvement activity it once was.

A number of major home center operators, including Home Depot and Hechinger, don't release monthly sales data. But among those companies that do, gains in January were varied.

Grossman's sales in the month were up 4.7 percent to $44.577 million. Lowe's volume increased 5 percent in the month to $192 million, but its retail sales, which represented 59 percent of its total revenues, were up 14 percent. Same-store volume rose 3 percent in January.

Other positive signs were seen at Payless Cashways, whose volume from 195 stores in January expanded by 11 percent to $121.98 million. ◆

Home centers help Habitat for Humanity help others

By Tom Neven

NATIONAL REPORT — Habitat For Humanity builds housing for low-income families, and relies on volunteer labor and low-cost or donated materials to do its work.

And home centers as small as the one unit Shiver Lumber to the giant Home Depot are providing the non-profit organization with tools and commodities, usually at cost or with a large discount but sometimes through donations.

Despite a generally depressed real estate market in much of the U.S., there are still many low-income families who cannot, and may never be able to, afford a house. Habitat For Humanity thinks they should still have a home of their own and not have to go into debt forever to get it.

Founded in Americus, Ga., in 1976 by Millard and Linda Fuller, Habitat For Humanity currently has 330 affiliated projects in the U.S. and Canada. By December 1989, the organization had built or renovated 5,000 houses worldwide—1,700 of those in North America and 750 in the U.S. in 1989 alone.

Willis Shiver, president of Shiver Lumber in Americus, Ga., has been friends with the Fullers for years, and also with Habitat's most famous volunteer—former president Jimmy Carter, from nearby Plains, Ga. Shiver has donated cash and paint to Habitat since its inception.

Doug Kuiken, vice president of Kuiken Brothers in Fair Lawn, N.J., sells or donates materials to the Paterson, N.J., Habitat affiliate.

(Continued on page 184)

Gerald Thaxton stands in his new home in Paterson, N.J., which he help build as part of the Habitat for Humanity program. The view outside the window is a vacant lot that Habitat plans to convert into housing in the near future. NHCN photo

NAHB analyzes remodeling activity

By an NHCN staff editor

NATIONAL REPORT — Applying a fresh coat of paint was the most popular remodeling chore accomplished by homeowners themselves in 1989, while carpeting was the job for which most homeowners hired a contractor.

The most expensive job was adding a sun room, according to a survey of remodeling activity conducted by National Family Opinion (NFO) for the National Association of Home Builders' Economics and Housing Policy Department. The analysis is based on 1,641 responses received from single-family homeowners. Some 2,000 questionnaires were sent by NFO at random.

The survey's findings were made public during the Home Builders Show in Atlanta in January.

Nationally, painting was a popular response in several areas. It was the job most often completed by homeowners in the last 12 months; it topped the list of 10 jobs more commonly done by the homeowner; it was the job homeowners will most likely take on if they plan on moving in the next 12 months; and it was the job tackled by most homeowners who moved during the last two years.

Most of the money that went to professional remodelers in 1989 came from room additions, the survey reports. On average, homeowners paid $13,642 each to add sun rooms; $13,433 for a typical "up" (the addition of a second story); and $7,308 to add a family room.

The study suggests that the homeowners who have considered remodeling this year are typically those who have been living for the past two to 10 years in houses aged 20 years or more.

Over half of the respondents cited "home needed improvement/major maintenance work" as the most important reason why they chose to take on some form of remodeling. Curiously, "remodeled and not purchased another home"—a strategy the NAHB cites regularly as a side-effect of the rising mean price of the housing market—was the reason for just 7 percent of the test group.

The low percentage of people in this survey who would admit they'd rather stay put than trade up contradicts another NAHB study, compiled for Winter/Spring 1990 by the association's Remodelers Council.

A 1988 Census Bureau poll featured in that study shows that homeowners in the Northeast, the most sluggish regional real estate market, spent more on remodeling. This implies that making the choice to remodel is tied closely to the ability to trade up in a given region.

The typical household responding to the January 1990 remodeling survey was a conventional family with a median income of $33,800, some 22 percent higher than the national median income of $27,500. The median age of the male head of household was 50 years.

TOP TEN JOBS COMMONLY COMPLETED BY:*

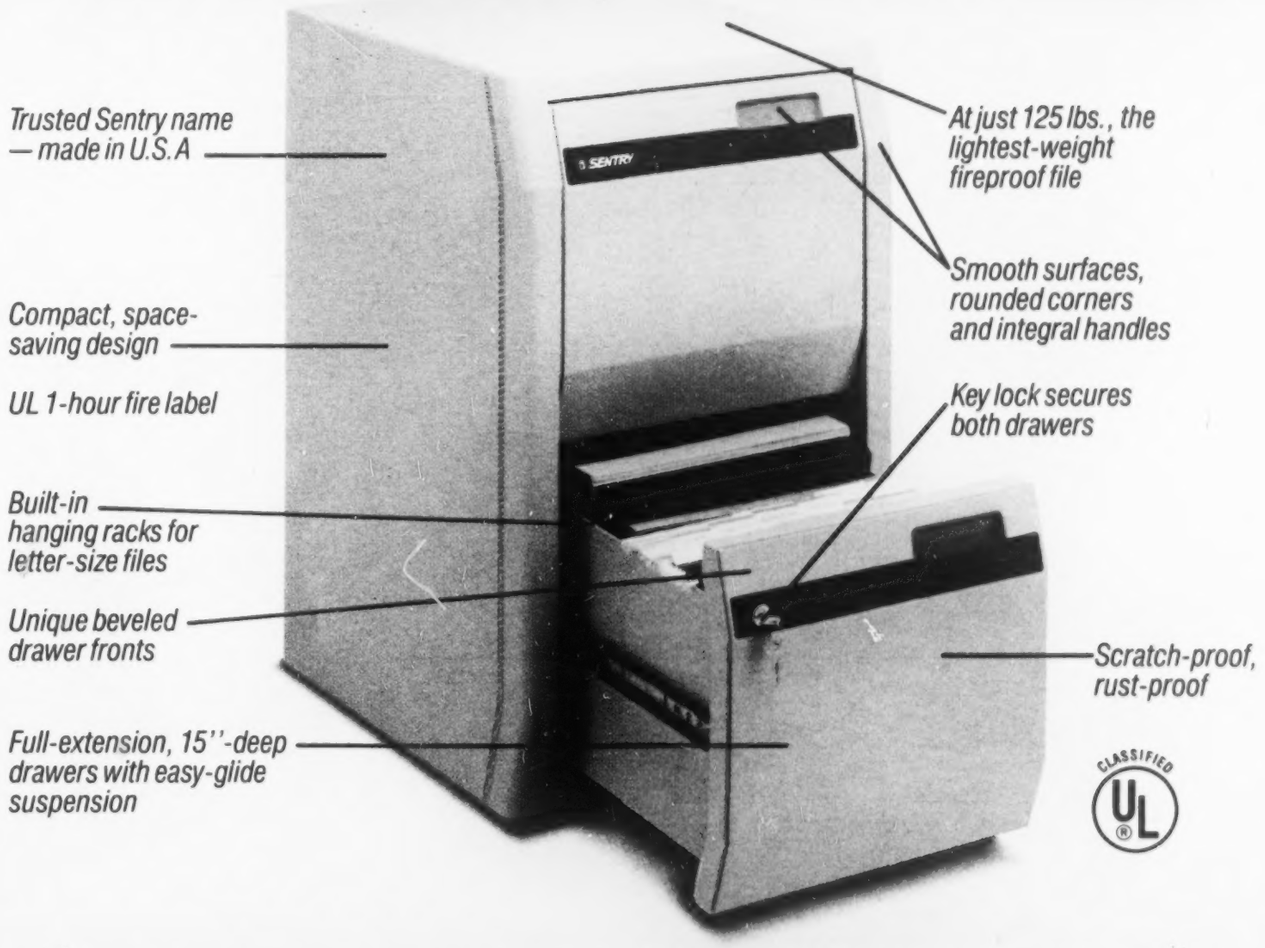
The Homeowner	A Remodeling Contractor
1. Painting	Carpeting
2. Wallpaper	Air Conditioning installation
3. Landscaping	Reshingling roof
4. Remodeled Bath	Replaced windows
5. Window Coverings	Painting
6. Remodeled Kitchen	Replaced Water Heater
7. Electrical Circuits	Heating plant installation
8. Air Conditioning installation	Vinyl flooring
9. Electrical Wiring	Replaced Doors
10. Vinyl Flooring	Remodeled Kitchen

TEN MOST EXPENSIVE REMODELING PROJECTS:

Job	Cost per Job
1. Added Sun Room	$13,642
2. Added Second Story	13,433
3. Added Family Room	7,308
4. Converted Garage	4,545
5. Finished Basement	4,468
6. Added Garage/Carport	4,415
7. Remodeled Kitchen	3,323
8. Replaced Siding	2,876
9. Added Full Bath	2,247
10. Retaining Wall	2,208

* Source: January 1990 Consumer Survey of Remodeling Activity, National Association of Home Builders, Economic & Housing Policy Department

Looks aren't everything.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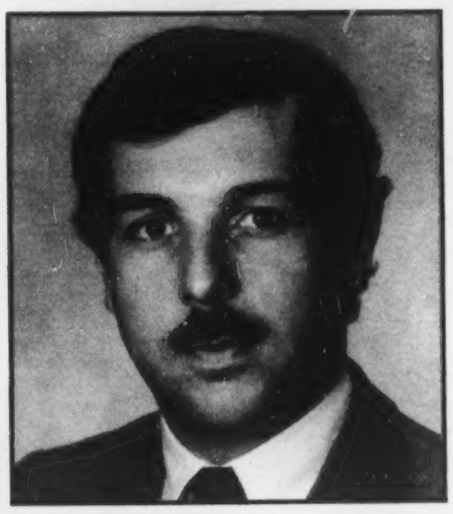
Effective shrink control involves all employees

By Jay Scansaroli

In many cases, effective shrink management has spelled the difference between the success or failure of home center operations.

As Mike Lurie, president of Pergament puts it, "Every level of employee at our company, from the stores to the back office to the president's office, is involved in reducing shrink. Restoring lost shrink dollars is every bit as important as capturing sales data, and it requires just as strenuous an effort."



Jay Scansaroli

This never-ending battle must deal with internal and external theft, as well as paper or systems shrink. Shrink control functions and coordinated efforts by key members of management are integral to effective shrink reduction.

Some retail companies have undertaken a committee approach to reduce shrink by coordinating the efforts of store operations, distribution centers, finance and data processing management. Others have hired outside experts to assist in this area.

All of these approaches involve significant cost to a business; however, the benefits can be enormous. I have seen shrink reduction programs slice shrink in excess of 1 percent of sales.

To generate winning ideas from the bottom up, and create a climate of honesty, top management needs to commit to a two-fold approach at the store level—education and incentives—to win the involvement of store managers and other employees.

Shrink can be reduced without a major investment. Lowering gondolas which don't block salespeople's view of customers, and having employees who make it a policy to have contact with every customer have long been two very effective methods of reducing shrink.

Secondly, an educational campaign can develop a sense of employee ownership when it comes to solving the shrink problem. Employees are more effective when it comes to executing programs they feel responsible for.

Store-manager, distribution manager or even floor-level-employee incentive programs are logical tie-ins to these educational efforts. Most incentive programs are offset not only by hard-dollar savings, but in improved customer service, morale and lower employee turnover.

Paper or systems shrink requires the most unified effort of management. At the core of this component of shrink is the company's ability to implement adequate controls with respect to documentation and processing in the many areas of merchandise movement.

The areas which must be examined and evaluated systematically to determine if effective controls are in place include distribution center and store receiving, store transfers and returns to vendors. Control and accountability of store markdowns, customer returns, accounts payable and sales reporting are critical in controlling paper shrink.

Technology can also help. All American Home Center, a $32 million dealer in Downey, Calif., saw its shrink dwindle from 2.5 percent of sales to 1.67 percent of sales as a result of improved POS equipment, which reduced employee mistakes and theft when keying in prices at checkout.

Payless Cashways, the $2 billion chain based in Kansas City, Mo., is retooling its computerized inventory files to track shrink in 17 of its stores' departments by year's end.

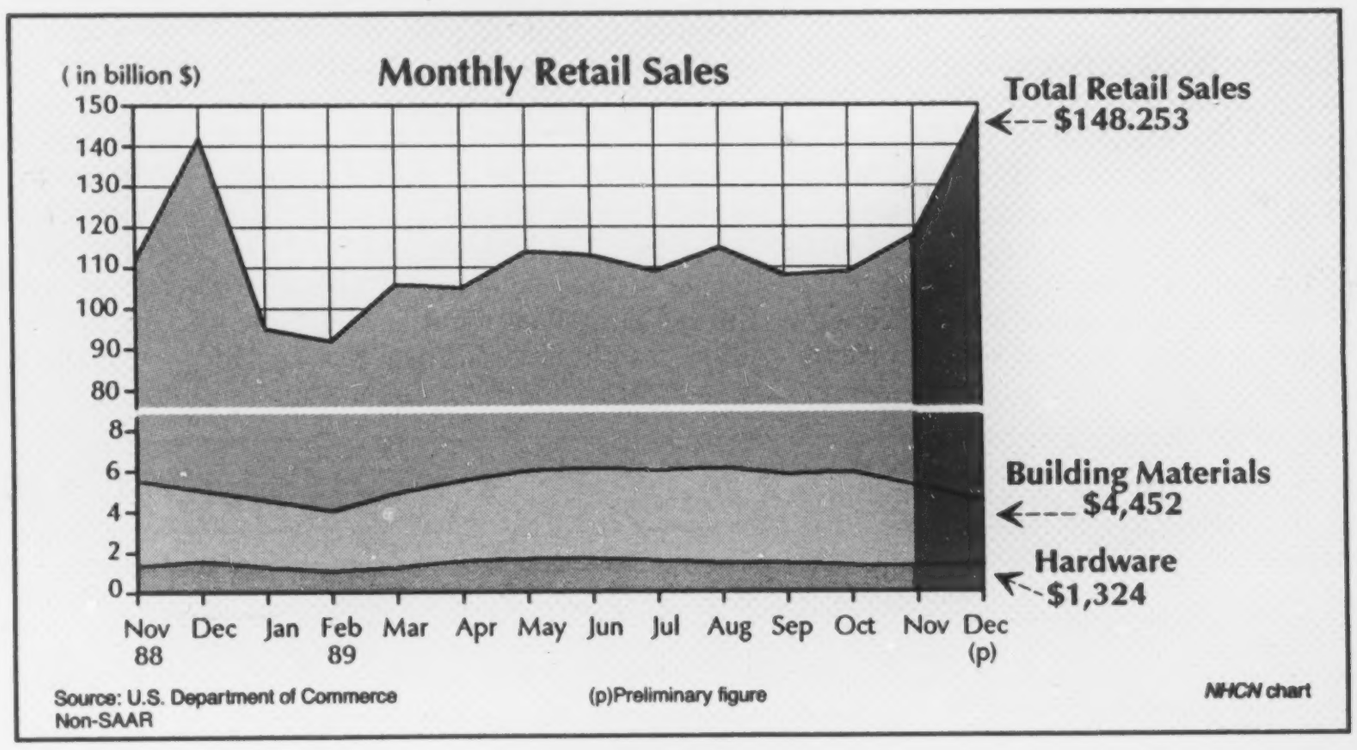
The advent of bar coding in this industry has abetted shrink control efforts, especially now that chains such as Chase Pitkin, an $80 million chain based in Rochester, N.Y., are experimented with UPC stickers on lumber and building products.

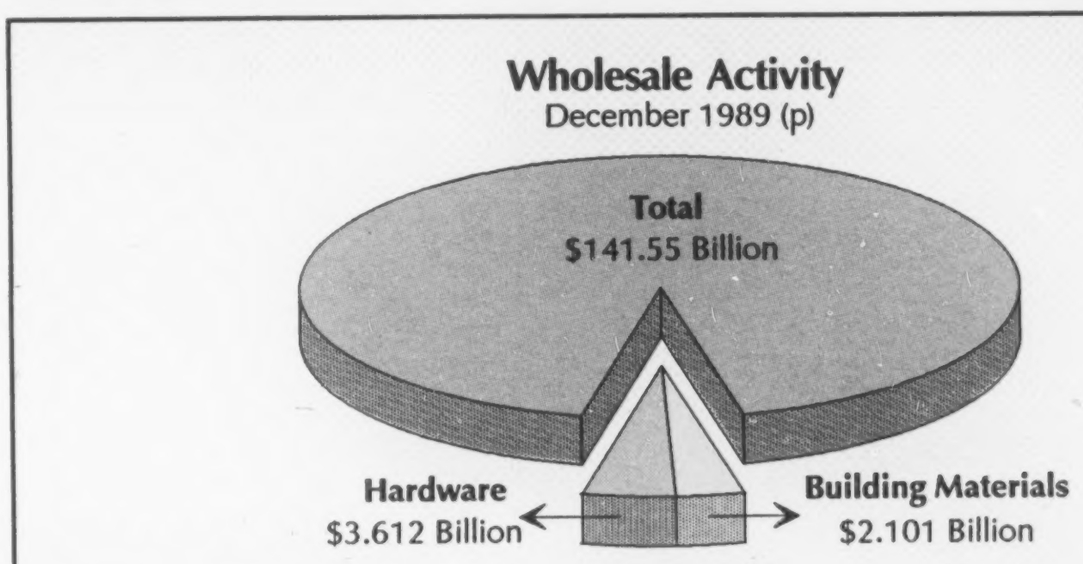
"A shrink problem will not cure itself," notes Stan Silver, chief administrative officer of Pergament. "It takes a focused, disciplined effort, not to mention hard work and commitment." ◆

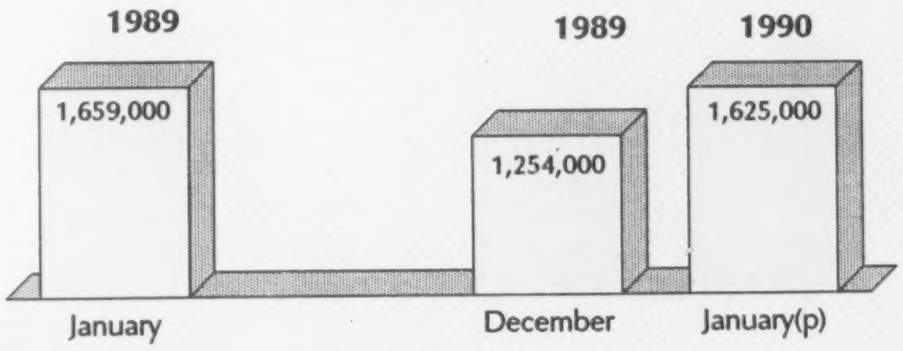
—Jay Scansaroli is a partner, Arthur Andersen's Retail Practice in New York.

Building materials dealers experienced a steep decline in December sales, both on an seasonally adjusted and unadjusted basis, according to preliminary figures supplied by the Bureau of the Census. Hardware stores, though, showed essentially flat sales in the month, compared to the same period in 1988.

The same pattern held for wholesalers in this industry.







Housing Affordability

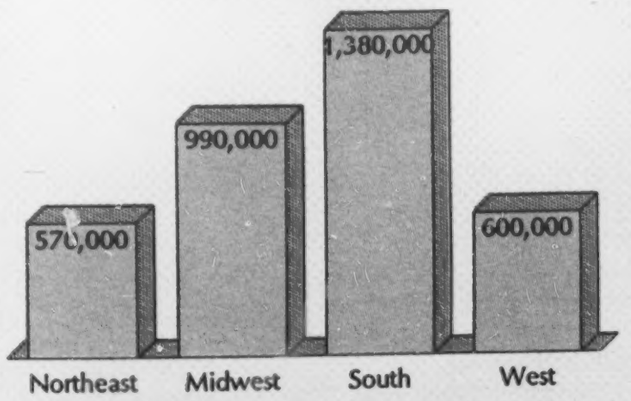
	National Total	
	DEC 1988	DEC 1989 (p)
Affordability Index Composite*	**111.5**	**108.2**
Median Price Existing Home	$88,700	$92,500
Average Mortgage Rate	9.59%	9.96%
Payment as Percentage of Income	22.4%	23.1%
Median Family Income	$32,191	$33,600
Qualifying Income	$28,864	$31,066

*The affordability index is based on the five criteria listed above.

Source: National Association of Realtors
(p)Preliminary figure

U.S. Resales

December (p)
Total = 3,550,000



Home resales were off more than 9 percent in December, based on preliminary data from the National Association of Realtors.

Source: National Association of Realtors
NHCN charts